



The President's Daily Brief

14 August 1969

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VIETNAM

The latest surge of Communist military activity was shortlived; action yesterday and today was greatly reduced. This reinforces earlier signs that the autumn campaign will consist of a series of "highpoints" followed by periods of relatively light activity. The next attacks may be scheduled to coincide with the Communist holiday on 19 August, honoring Ho Chi Minh's takeover in Hanoi after the Japanese withdrawal in 1945.

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Thieu and Huong met yesterday and issued a statement in which they agreed that a much more broadly based cabinet should be formed. This reinforces earlier indications that Huong has agreed to Thieu's plans for including more politicians in the cabinet, in contrast to the government of technicians which the prime minister had previously favored. There is no indication that they have agreed as yet on the make-up of the new cabinet, but it now appears likely that Huong will stay on as prime minister.

SOVIET AFFAIRS

Ceausescu demonstrated his unchallenged leadership over the Romanian Communist Party at the congress which ended on Tuesday. Seventy foreign parties sent delegations to the meeting.

Ceausescu advanced numerous "second generation" Communists to national-level party positions by deftly manipulating

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the composition of top-level bodies to ensure a membership tipped more to his favor. By electing representatives of the military and security forces, the intelligentsia and ethnic minorities, the congress advanced the image of national unity. At the same time the few "old guardists" still in top-level posts, although downgraded, were not displaced.

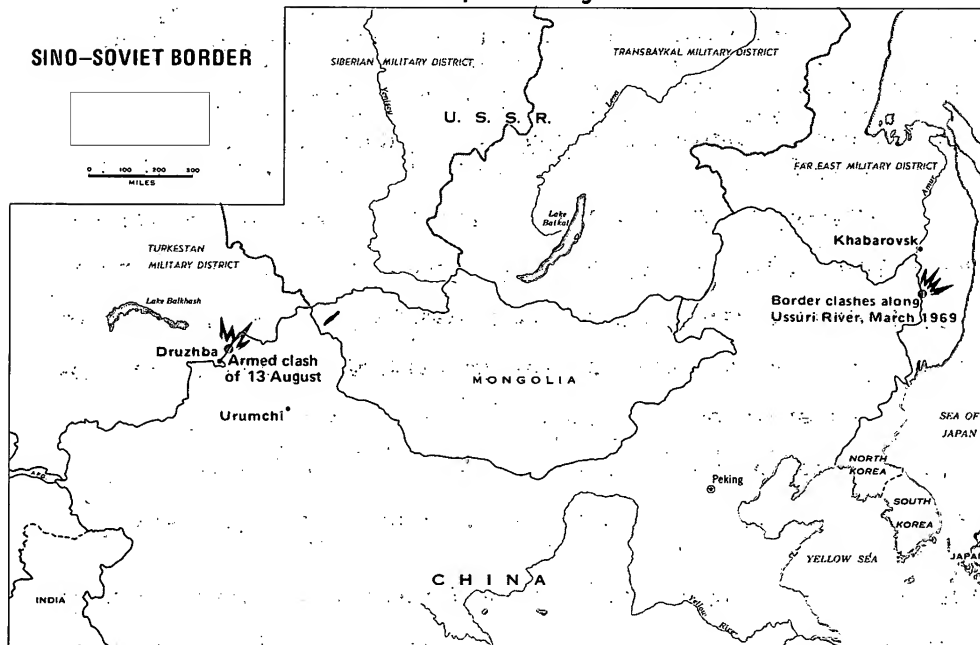
Romanian speakers at the congress reaffirmed Bucharest's independent course in foreign affairs. Ceausescu, in his opening speech, left little doubt about Romania's determination to resist any attack by "imperialists," which he defined in a way that could equally apply to both the US and the USSR.

Aware that the President's visit was still fresh in the mind of the Romanian people, Ceausescu tried to redress the balance. He labored to put the best face possible on Romanian-Soviet relations. He paid lip-service to Bucharest's attachment to CEMA and the Warsaw Pact. He also spent some time discussing the Soviet army's role in "liberating" Romania and predictably criticized the US four times in his speech.

Now that the congress is ended, Bucharest is prolonging its festive atmosphere until 23 August, when the country will celebrate the 25th anniversary of its "liberation." It seems doubtful at this point that the Soviets and their allies will send high-level delegations to this event. Some Romanian leaders are expected, however, to meet their allies on the highest-level on 9 September, in Sofia, when Bulgaria celebrates its 25th "liberation" anniversary. Unidentified diplomats in Bucharest have claimed that Moscow may take the Romanians to task at the Sofia meeting. The Romanians can be expected to hold their ground.

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New Incident Reported Along Sino-Soviet Border



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EUROPE

There was a massive run on the pound sterling yesterday, triggered by announcement of an unexpected increase in the British trade deficit for July. The devaluation of the franc had already weakened the pound's position. If a run of this magnitude (\$500 million in Bank of England foreign exchange between noon and close of business to keep the sterling up) continues, the Bank has only a few days of reserves left unless it obtains additional resources from other nations. Prospects for this are not bright since London still owes \$6 billion which it borrowed to defend the pound in previous crises.

SOVIET UNION - COMMUNIST CHINA

Yesterday's clash between the Soviets and the Chinese is only the latest in a series of armed incidents that have occurred recently along this same stretch of the Sinkiang-Kazakhstan border. In June, the Chinese charged Moscow with an "armed intrusion" in which one of their soldiers was killed, while in May the Soviets claimed that Chinese troops had "illegally" occupied several square miles of their frontier territory.

Peking was the first to publicize the latest clash apparently in an attempt to portray the Soviets as the unreasonable, aggressive party in the dispute.

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[REDACTED] The closest known Soviet Army

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unit (an 1800 man motorized regiment) is at the Dzungarian Gate, near the border. No sizable Chinese Army units are known to be in the area of the reported clash.

Recent developments, including the limited agreement on border river navigation signed in Khabarovsk last week, suggest that neither side wishes the inflamed border situation to get out of hand. Neither is likely to compromise fundamental positions, however, and questions of national prestige could lead to intensification of any even minor incident. This latest flare-up can only increase the explosive potential of the border situation.

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